

**Williams Charter Township
Bay County, Michigan**

FINANCIAL STATEMENTS

December 31, 2007

Williams Charter Township
Bay County, Michigan

December 31, 2007

BOARD OF TRUSTEES

Thomas Paige	Supervisor
Connie Hoverman	Treasurer
Amy Charney	Clerk
Paul Wasek	Trustee
James Plant	Trustee
Tom Putt	Trustee
Jerry Schrott	Trustee

Williams Charter Township

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Williams Charter Township
Auburn, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of and for the year ended December 31, 2007, which with the financial statements of the business-type activities and proprietary major funds collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Williams Charter Township's business-type activities or proprietary funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for business-type activities and proprietary funds, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where, applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Williams Charter Township's basic financial statements. The General Fund schedule of revenues and expenditures - construction code and schedule of governmental capital assets listed in the Table of Contents under other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of Williams Charter Township, Michigan. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 16, 2008

Williams Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Financial Reporting

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2007:

- State shared revenue, the Township's second largest revenue source in the General Fund, essentially remained level at \$310,325 in 2007. This amount is \$59,658 less than was received in 2001. According to the U.S. Department of Labor's Bureau of Labor Statistics, the purchasing power of \$310,325 in 2007 is the same as \$265,062 in 2001 dollars. Therefore even though decreases previously seen in state shared revenues have leveled off, the purchasing power of these dollars is substantially reduced. Previous decreases in this major source of revenue appears to have leveled off as the State of Michigan tackled the State's structural budget deficiencies by replacing the old Single Business Tax with the Michigan Business Tax and increasing the State's Income Tax rate.
- The Township continues the practice of appropriating funding from the township's 4.4 mill tax levy toward public safety, local road improvement projects, and waterline extension projects. These appropriations included \$275,000 to fund local road improvement projects and \$175,000 to fund improving and extending the township's municipal waterline system.
- Total fund balances related to the Township's governmental funds increased by \$69,962. Included in the total increase in governmental fund balance is the decrease in General Fund fund balance of \$106,930.
- The decrease in General Fund fund balance is due to the Township's decision to fully fund road improvement projects as programmed in the township's five year Road Improvement Plan. The Township expended \$274,901 for Special Road Projects in 2007, about the same amount as in 2006, and an increase of \$125,622 over 2005 expenditures. The Township Board has decreased the amount appropriated for Special Road Projects in 2008 to preserve a responsible fund balance.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to Williams Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of Williams Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Williams Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Williams Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Williams Charter Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Garbage Collection Fund, Sewer Connection Fund, and Waterline Construction Fund, which are considered to be major funds. Data for the Building and Site Fund is reported as the nonmajor governmental fund.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Garbage Collection Fund to demonstrate compliance with their budgets.

Proprietary Funds. Williams Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund and Garbage Collection Fund budgetary comparison schedules.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of December 31, 2007, and December 31, 2006.

	Government Activities		Business-type Activities		Total Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and Other Assets	\$ 2,754,264	\$ 2,711,171	\$ 1,438,562	\$ 1,312,343	\$ 4,192,826	\$ 4,023,514
Capital Assets	<u>1,904,875</u>	<u>1,987,820</u>	<u>4,855,900</u>	<u>5,078,680</u>	<u>6,760,775</u>	<u>7,066,500</u>
Total Assets	4,659,139	4,698,991	6,294,462	6,391,023	10,953,601	11,090,014
Liabilities						
Current Liabilities	1,276,396	1,310,846	551,988	413,907	1,828,384	1,724,753
Noncurrent Liabilities	<u>269,735</u>	<u>300,528</u>	<u>583,319</u>	<u>943,787</u>	<u>853,054</u>	<u>1,244,315</u>
Total Liabilities	1,546,131	1,611,374	1,135,307	1,357,694	2,681,438	2,969,068
Net Assets						
Invested capital assets, net of related debt	1,604,347	1,604,517	3,937,110	3,809,660	5,541,457	5,414,177
Restricted	-	-	22,000	22,000	22,000	22,000
Unrestricted	<u>1,508,661</u>	<u>1,483,100</u>	<u>1,200,045</u>	<u>1,201,669</u>	<u>2,708,706</u>	<u>2,684,769</u>
Total Net Assets	<u>\$3,113,008</u>	<u>\$3,087,617</u>	<u>\$ 5,159,155</u>	<u>\$ 5,033,329</u>	<u>\$ 8,272,163</u>	<u>\$ 8,120,946</u>

Net assets may serve over time as a useful indicator of a government's financial position. Williams Charter Township's assets exceeded liabilities by \$8,272,163 as of December 31, 2007. The most significant portion of the Township's net assets (over 66 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,708,706 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net assets increased by \$151,217 during the current year as indicated on the following page.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

	Governmental Activities		Business-type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue						
Program Revenue						
Charges for Service	\$ 603,693	\$ 748,900	\$ 902,138	\$ 853,774	\$ 1,505,831	\$ 1,602,674
Operating grants & contributions	3,890	-	-	-	3,890	-0-
Capital grants & contributions	-	13,584	-	-	-	13,584
General Revenue						
Property Taxes	785,395	766,275	-	-	785,395	766,275
State Shared Revenue	310,325	309,208	-	-	310,325	309,208
Investment Earnings	114,414	118,221	62,389	57,187	176,803	175,408
Miscellaneous	4,754	20,001	-	-	4,754	20,001
Transfers	(139,013)	(158,371)	139,013	158,371	-0-	-0-
Total Revenue	1,683,558	1,817,818	1,103,540	1,069,332	2,786,998	2,887,150
Program Expenses						
General Government	482,894	484,695	-	-	482,894	484,695
Public Safety	399,026	394,498	-	-	399,026	394,498
Public Works	647,322	708,453	-	-	647,322	708,453
Community & Economic Dev.	71,297	75,196	-	-	71,297	75,196
Recreation & Culture	39,825	40,034	-	-	39,825	40,034
Sewer System	-	-	326,787	356,558	326,787	356,558
Water System	-	-	650,927	579,467	650,927	579,467
Interest on Long Term Debt	17,703	19,930	-	-	17,703	19,930
Total Program Expenses	1,658,067	1,722,806	677,714	936,025	2,635,781	2,658,831
Change in Net Assets	\$ 25,391	\$ 95,012	\$ 125,826	\$ 133,307	\$ 151,217	\$ 228,319

Governmental Activities

Governmental activities increased the Township's net assets by \$25,391 during fiscal year 2007. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$1,683,558. When compared to the previous year, Township's total revenue for governmental activities decreased \$134,260. This decrease was primarily related to the decrease in building permits and Planning Commission fees within the Township.

The Township incurred expenses of \$1,658,067 during 2007, a decrease of approximately 4% from 2006. The majority of these expenses are associated with providing general government services, public safety, and public works including road improvement projects. The cost of road improvement projects continues to increase tremendously due to increased material costs.

Business-type Activities

Business-type activities increased the Township's net assets by \$125,826 during fiscal year 2007. The majority of the revenue of the business-type activities is generated through user charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Williams Charter Township as a whole. Williams Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2007, was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$399,026 for the fiscal year. Public Safety services include the Township's share of the Auburn Williams Fire Department and two contracted deputies through the Bay County Sheriff Department that are supported entirely from the General Fund with no additional special millage.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System and the Water System at the end of the year amounted to \$460,193 and \$739,852, respectively. The Township Board continues to improve and expand the Water System as initially set forth for a period of 20 years in 1988. 2008 is the final year remaining under this Water System expansion and improvement program.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$6,760,775 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Williams Charter Township. These assets are not reported in Williams Charter Township's financial statements as capital assets because under Michigan law these roads and drains are the property of the Bay County Road and Drain Commissions, respectively.

Long-term Debt. The Township incurred additional long-term debt during 2007 in the amount of \$267,610 for road improvement projects.

Current Economic Factors

Previous decreases in Revenue Sharing appear to have leveled off as the State of Michigan tackled the State's structural budget deficiencies by replacing the old Single Business Tax with the Michigan Business Tax and increasing the State's Income Tax rate. However, the state's sales tax revenues, the source for constitutional Revenue Sharing, continue to lag behind projections due to the current economic climate in Michigan and could further reduce Revenue Sharing payments to the township. Should constitutional Revenue Sharing be reduced further, Williams Charter Township would experience a loss of revenue which would necessitate a corresponding reduction of services or increase in local taxes to offset reductions in Revenue Sharing.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk at the Township Hall.

BASIC FINANCIAL STATEMENTS

Williams Charter Township
STATEMENT OF NET ASSETS

December 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,652,160	\$ 1,329,437	\$ 2,981,597
Restricted cash	10,319	-	10,319
Receivables	965,262	102,130	1,067,392
Due from other governmental units	107,937	-	107,937
Prepays	18,586	6,995	25,581
Total current assets	2,754,264	1,438,562	4,192,826
Noncurrent assets			
Capital assets not being depreciated	120,071	1,232	121,303
Capital assets, net	1,784,804	4,854,668	6,639,472
Total noncurrent assets	1,904,875	4,855,900	6,760,775
TOTAL ASSETS	4,659,139	6,294,462	10,953,601
LIABILITIES			
Current liabilities			
Accounts payable	37,177	194,571	231,748
Accrued liabilities	3,281	394	3,675
Accrued interest payable	12,603	6,726	19,329
Deposits payable	10,804	-	10,804
Deferred revenue	1,136,149	-	1,136,149
Current portion of compensated absences	-	3,233	3,233
Current portion of long-term debt	76,382	347,064	423,446
Total current liabilities	1,276,396	551,988	1,828,384
Noncurrent liabilities			
Compensated absences	-	18,319	18,319
Noncurrent portion of long-term debt	269,735	565,000	834,735
Total noncurrent liabilities	269,735	583,319	853,054
TOTAL LIABILITIES	1,546,131	1,135,307	2,681,438
NET ASSETS			
Invested in capital assets, net of related debt	1,604,347	3,937,110	5,541,457
Restricted	-	22,000	22,000
Unrestricted	1,508,661	1,200,045	2,708,706
TOTAL NET ASSETS	\$ 3,113,008	\$ 5,159,155	\$ 8,272,163

See accompanying notes to financial statements.

Williams Charter Township

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 482,894	\$ 119,576	\$ -	\$ (363,318)	\$ -	\$ (363,318)
Public safety	399,026	5,915	-	(393,111)	-	(393,111)
Public works	647,322	424,397	-	(222,925)	-	(222,925)
Community and economic development	71,297	51,255	-	(20,042)	-	(20,042)
Recreation and cultural	39,825	2,550	3,890	(33,385)	-	(33,385)
Interest on long-term debt	17,703	-	-	(17,703)	-	(17,703)
Total governmental activities	1,658,067	603,693	3,890	(1,050,484)	-0-	(1,050,484)
Business-type activities:						
Sewer system	326,787	332,004	-	-	5,217	5,217
Water system	650,927	570,134	-	-	(80,793)	(80,793)
Total business-type activities	977,714	902,138	-0-	-0-	(75,576)	(75,576)
Total government	\$ 2,635,781	\$ 1,505,831	\$ 3,890	(1,050,484)	(75,576)	(1,126,060)
General revenues:						
Property taxes				785,395	-	785,395
State shared revenues				310,325	-	310,325
Investment earnings				114,414	62,389	176,803
Miscellaneous				4,754	-	4,754
Transfers				(139,013)	139,013	-0-
Total general revenues and transfers				1,075,875	201,402	1,277,277
Change in net assets				25,391	125,826	151,217
Net assets, beginning of the year				3,087,617	5,033,329	8,120,946
Net assets, end of the year				\$ 3,113,008	\$ 5,159,155	\$ 8,272,163

See accompanying notes to financial statements.

Williams Charter Township

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

		Special Revenue	Debt
	General	Garbage	Sewer Connection
ASSETS			
Cash and cash equivalents	\$ 603,682	\$ 101,701	\$ 540,800
Restricted cash	10,319	-	-
Receivables			
Accounts	10,883	179,227	8,667
Taxes	695,779	-	-
Special assessments	-	-	4,880
Due from other governmental units	107,036	-	-
Prepays	18,586	-	-
TOTAL ASSETS	\$ 1,446,285	\$ 280,928	\$ 554,347
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 17,660	\$ 18,254	\$ -
Accrued payroll	3,096	-	-
Deposits payable	10,804	-	-
Deferred revenue	832,596	223,330	6,450
TOTAL LIABILITIES	864,156	241,584	6,450
FUND BALANCES			
Designated for debt service	-	-	547,897
Undesignated, reported in:			
General fund	582,129	-	-
Special revenue funds	-	39,344	-
TOTAL FUND BALANCES	582,129	39,344	547,897
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,446,285	\$ 280,928	\$ 554,347

See accompanying notes to financial statements.

<u>Service</u>		
<u>Waterline Construction</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 393,328	\$ 12,649	\$ 1,652,160
-	-	10,319
5,778	-	204,555
-	-	695,779
60,048	-	64,928
-	901	107,937
-	-	18,586
<u>\$ 459,154</u>	<u>\$ 13,550</u>	<u>\$ 2,754,264</u>
\$ -	\$ 1,263	\$ 37,177
-	185	3,281
-	-	10,804
<u>73,773</u>	<u>-</u>	<u>1,136,149</u>
73,773	1,448	1,187,411
385,381	-	933,278
-	-	582,129
-	12,102	51,446
<u>385,381</u>	<u>12,102</u>	<u>1,566,853</u>
<u>\$ 459,154</u>	<u>\$ 13,550</u>	<u>\$ 2,754,264</u>

Williams Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2007

Total fund balance - governmental funds **\$ 1,566,853**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,753,127	
Accumulated depreciation is	<u>(848,252)</u>	
Capital assets, net		1,904,875

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Installment agreements	346,117	
Accrued interest payable	<u>12,603</u>	
		<u>(358,720)</u>

Net assets of governmental activities **\$ 3,113,008**

See accompanying notes to financial statements.

Williams Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

		Special Revenue	Debt
	General	Garbage Collection	Sewer Connection
REVENUES			
Taxes	\$ 868,066	\$ -	\$ -
Licenses and permits	95,502	-	-
Intergovernmental	310,325	-	-
Charges for services	19,768	217,977	41,111
Interest and rents	71,156	5,636	32,471
Other	22,325	211	-
TOTAL REVENUES	1,387,142	223,824	73,582
EXPENDITURES			
Current			
General government	298,390	-	-
Public safety	399,026	-	-
Public works	349,875	219,040	-
Community and economic development	31,512	-	-
Recreation and cultural	33,054	-	-
Other	168,438	-	-
Debt service	274,901	-	-
Capital outlay	21,486	-	-
TOTAL EXPENDITURES	1,576,682	219,040	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(189,540)	4,784	73,582
OTHER FINANCING SOURCES (USES)			
Installment agreement	267,610	-	-
Transfers in	-	-	-
Transfers out	(185,000)	-	(79,088)
TOTAL OTHER FINANCING SOURCES (USES)	82,610	-0-	(79,088)
NET CHANGE IN FUND BALANCES	(106,930)	4,784	(5,506)
Fund balances, beginning of year	689,059	34,560	553,403
Fund balances, end of year	\$ 582,129	\$ 39,344	\$ 547,897

See accompanying notes to financial statements.

Service		
Waterline Construction	Nonmajor Governmental Fund	Total Governmental Funds
\$ -	\$ -	\$ 868,066
-	-	95,502
-	-	310,325
99,717	1,549	380,122
16,308	20,348	145,919
-	-	22,536
116,025	21,897	1,822,470
-	32,135	330,525
-	-	399,026
-	-	568,915
-	-	31,512
-	-	33,054
-	-	168,438
47,598	-	322,499
5,650	-	27,136
53,248	32,135	1,881,105
62,777	(10,238)	(58,635)
-	-	267,610
175,000	10,000	185,000
(59,925)	-	(324,013)
115,075	10,000	128,597
177,852	(238)	69,962
207,529	12,340	1,496,891
\$ 385,381	\$ 12,102	\$ 1,566,853

Williams Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 69,962

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation (82,945)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Additional installment agreement	(267,610)	
Principal retirement on installment purchase agreements	<u>304,796</u>	
		37,186

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>1,188</u>
--------------------------------------	--------------

Change in net assets of governmental activities \$ 25,391

See accompanying notes to financial statements.

Williams Charter Township
Proprietary Funds
STATEMENT OF NET ASSETS
December 31, 2007

	Sewer	Water	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 420,452	\$ 908,985	\$ 1,329,437
Accounts receivable - net of allowance	35,613	55,641	91,254
Interest receivable	4,023	6,853	10,876
Prepays	2,199	4,796	6,995
Total current assets	462,287	976,275	1,438,562
Noncurrent assets			
Capital assets not being depreciated	-	1,232	1,232
Capital assets, net of accumulated depreciation	2,781,366	2,073,302	4,854,668
Total noncurrent assets	2,781,366	2,074,534	4,855,900
TOTAL ASSETS	3,243,653	3,050,809	6,294,462
LIABILITIES			
Current liabilities			
Accounts payable	1,979	192,592	194,571
Accrued payroll	115	279	394
Accrued interest payable	2,279	4,447	6,726
Current portion of compensated absences	-	3,233	3,233
Current portion of long-term debt	252,064	95,000	347,064
Total current liabilities	256,437	295,551	551,988
Noncurrent liabilities			
Compensated absences	-	18,319	18,319
Noncurrent portion of long-term debt	-	565,000	565,000
Total noncurrent liabilities	-0-	583,319	583,319
TOTAL LIABILITIES	256,437	878,870	1,135,307
NET ASSETS			
Invested in capital assets, net of related debt	2,527,023	1,410,087	3,937,110
Restricted	-	22,000	22,000
Unrestricted	460,193	739,852	1,200,045
TOTAL NET ASSETS	<u>\$ 2,987,216</u>	<u>\$ 2,171,939</u>	<u>\$ 5,159,155</u>

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Sewer	Water	Total Proprietary Funds
Gross service charges	\$ 322,642	\$ 554,689	\$ 877,331
Water costs	-	(305,584)	(305,584)
GROSS PROFIT	322,642	249,105	571,747
OPERATING REVENUES			
Service connections	-	14,845	14,845
Charges, fees, etc.	9,362	600	9,962
TOTAL OPERATING REVENUES	9,362	15,445	24,807
OPERATING EXPENSES			
Personal services	28,132	111,782	139,914
Utilities	2,133	11,075	13,208
Regional charges	146,966	-	146,966
Operations and maintenance	8,545	37,647	46,192
Administration	7,376	28,186	35,562
Fiscal and other charges	640	10,739	11,379
Depreciation	114,479	108,301	222,780
TOTAL OPERATING EXPENSES	308,271	307,730	616,001
OPERATING INCOME (LOSS)	23,733	(43,180)	(19,447)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	21,428	40,961	62,389
Interest expense	(18,516)	(37,613)	(56,129)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,912	3,348	6,260
OTHER FINANCING SOURCES			
Transfers in	79,088	59,925	139,013
CHANGE IN NET ASSETS	105,733	20,093	125,826
Net assets, beginning of year	2,881,483	2,151,846	5,033,329
Net assets, end of year	\$ 2,987,216	\$ 2,171,939	\$ 5,159,155

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Sewer	Water	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 335,805	\$ 565,144	\$ 900,949
Cash paid to suppliers	(164,931)	(261,543)	(426,474)
Cash paid to employees for services	(28,070)	(115,751)	(143,821)
Other operating income	9,362	15,445	24,807
NET CASH PROVIDED BY OPERATING ACTIVITIES	152,166	203,295	355,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(20,795)	(38,500)	(59,295)
Transfers in	79,088	59,925	139,013
Payments of borrowing	(252,064)	(95,000)	(347,064)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(193,771)	(73,575)	(267,346)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	21,334	40,725	62,059
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(20,271)	170,445	150,174
Cash and cash equivalents, beginning of year	440,723	738,540	1,179,263
Cash and cash equivalents, end of year	<u>\$ 420,452</u>	<u>\$ 908,985</u>	<u>\$ 1,329,437</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	23,733	(43,180)	(19,447)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	114,479	108,301	222,780
Decrease in receivables	13,163	10,455	23,618
Decrease in prepaids	357	310	667
Increase in accounts payable	-	131,378	131,378
Increase (decrease) in accrued liabilities	434	(3,969)	(3,535)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 152,166	\$ 203,295	\$ 355,461

See accompanying notes to financial statements.

Williams Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	<u>Current Tax Collections</u>
ASSETS	
Cash and cash equivalents	<u>\$ 9,352</u>
LIABILITIES	
Due to other governmental units	<u>\$ 9,352</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Williams Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township was organized in 1855 and covers an area of approximately 34.5 square miles. The Township operates under an elected Board of Officials (7 members) and provides a variety of services to its approximately 4,500 residents, including law enforcement, community enrichment and development, and human services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Williams Charter Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Williams Charter Township contain all the funds controlled by the Township Board.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB Statement No. 34 requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and result of the operations for the calendar year 2007.

2. Jointly Governed Organizations

Williams Charter Township and the City of Auburn jointly govern the Auburn-Williams Fire Protection District. The funding formula requires that Williams Township provide 70% and the City of Auburn provide 30% of the operational and building costs. The Auburn-Williams Fire District has title to all property, plant and equipment. All of the financial operations of the Fire Protection District are recorded in the Auburn-Williams Fire Protection District.

The Township's appropriation to the Auburn-Williams Fire Protection District for the year ending December 31, 2007 was \$143,500.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Collection Fund is a special revenue fund that is used to record the activity of the Township's garbage collection activities.
- c. The Sewer Connection Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the sewer system.
- d. The Waterline Construction Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the waterline construction.
- e. The Sewer Fund accounts for the activities of providing sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.
- f. The Water Fund accounts for the activities of providing water services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.

4. Measurement Focus

The government-wide, proprietary, and fiduciary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and major Special Revenue Fund budgets shown as required supplementary information was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.
- b. Two public hearings are conducted at township board meetings prior to the October 31 budget adoption to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- c. Prior to November 1, the budget is adopted through passage of a Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the statements of revenue, expenditures and changes in fund balances - budget and actual - general and special revenue funds.
- d. The Supervisor is authorized to transfer budgeted amounts between line items within an activity; however, the Township Board must approve any revisions that alter the total expenditures of any activity.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of purchase. The cash and cash equivalents are recorded at cost, which approximates market value.

8. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

9. Property Tax

Williams Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 15 and February 29, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Bay County Treasurer on March 1 of the year following the levy. The Bay County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2007 tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$4.6136 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2007, the Township levied 4.400 mills for general governmental services. The total taxable value for the 2006 levy for the property within the Township was \$175,237,769.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**10. Capital Assets**

Capital assets include land, land improvements, buildings and improvements, furniture and equipment, infrastructure, and water and sewer lines and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and improvements	15 - 40 years
Infrastructure	40 years
Furniture and equipment	5 - 7 years
Water and sewer lines	40 - 50 years

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

12. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2007, but which are levied to finance year 2008 operations. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide and proprietary financial statements report deferred revenues that are unavailable to liquidate liabilities at the current period.

13. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

14. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Interfund Transactions - continued

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association or government national mortgage association.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2007, the carrying amount of the Township's deposits was \$1,671,731 and the bank balance was \$1,932,133.

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits - continued

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2007, the Township accounts were insured by the FDIC for \$1,003,814 and the amount of \$928,319 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business in accordance with Board approved policy.

The cash caption on the basic financial statements includes \$100 in imprest cash and \$1,329,437 in cash that is on deposit with the Bay County Water and Sewer Department. The cash on deposit with the Bay County Water and Sewer Department is part of the Bay County Water and Sewer Department pooled cash and investments. As a result, the insured and uninsured amounts related to the Township cannot be determined.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfers to Waterline Construction Fund from:	
General Fund	<u>\$ 175,000</u>
Transfers to nonmajor governmental fund from:	
General Fund	<u>\$ 10,000</u>

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE C: INTERFUND TRANSFERS - CONTINUED

Transfers to Sewer Fund from:	
Sewer Connection Fund	<u>\$ 79,088</u>
Transfer to Water Fund from:	
Waterline Construction Fund	<u>\$ 59,925</u>

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental activities

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Capital assets not being depreciated				
Land	\$ 120,071	\$ -	\$ -	\$ 120,071
Capital assets being depreciated				
Infrastructure for sewer and waterline	1,605,086	-	-	1,605,086
Land improvements	225,446	-	-	225,446
Buildings	496,742	-	-	496,742
Building improvements	95,067	-	-	95,067
Equipment and furniture	<u>210,715</u>	<u>-</u>	<u>-</u>	<u>210,715</u>
Total capital assets being depreciated	2,633,056	-0-	-0-	2,633,056
Less accumulated depreciation for:				
Infrastructure for sewer and waterline	(140,046)	(40,128)	-	(180,174)
Land improvements	(191,483)	(6,232)	-	(197,715)
Buildings	(246,939)	(12,419)	-	(259,358)
Building improvements	(32,905)	(5,810)	-	(38,715)
Equipment and furniture	<u>(153,934)</u>	<u>(18,356)</u>	<u>-</u>	<u>(172,290)</u>
Total accumulated depreciation	<u>(765,307)</u>	<u>(82,945)</u>	<u>-0-</u>	<u>(848,252)</u>
Net capital assets being depreciated	<u>1,867,749</u>	<u>(82,945)</u>	<u>-0-</u>	<u>1,784,804</u>
Net capital assets - governmental activities	<u>\$ 1,987,820</u>	<u>\$ (82,945)</u>	<u>\$ -0-</u>	<u>\$ 1,904,875</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 24,109
Public works	<u>58,836</u>
Total depreciation expense	<u>\$ 82,945</u>

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE D: CAPITAL ASSETS - CONTINUED

Business-type activities

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Capital assets not being depreciated				
Land	\$ 1,232	\$ -	\$ -	\$ 1,232
Capital assets being depreciated				
Sewer system	5,561,478	-	-	5,561,478
Water system	<u>4,379,901</u>	<u>-</u>	<u>-</u>	<u>4,379,901</u>
Total capital assets being depreciated	9,941,379	-0-	-0-	9,941,379
Less accumulated depreciation for:				
Sewer system	(2,665,633)	(114,479)	-	(2,780,112)
Water system	<u>(2,198,298)</u>	<u>(108,301)</u>	<u>-</u>	<u>(2,306,599)</u>
Total accumulated depreciation	<u>(4,863,931)</u>	<u>(222,780)</u>	<u>-0-</u>	<u>(5,086,711)</u>
Net capital assets being depreciated	<u>5,077,448</u>	<u>(222,780)</u>	<u>-0-</u>	<u>4,854,668</u>
Net capital assets - business-type activities	<u>\$ 5,078,680</u>	<u>\$(222,780)</u>	<u>\$ -0-</u>	<u>\$ 4,855,900</u>

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2007:

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amount Due Within One Year
Governmental activities					
Bay County Road Commission Road improvement projects	\$ 53,565	\$ 267,610	\$ 275,586	\$ 45,589	\$ 45,589
Installment Purchase Agreement - Underground waterline extension	<u>329,738</u>	<u>-</u>	<u>29,210</u>	<u>300,528</u>	<u>30,793</u>
	383,303	267,610	304,796	346,117	76,382
Business-type activities					
Bay County water supply system	430,000	-	35,000	395,000	35,000
Water supply system extension	175,000	-	10,000	165,000	10,000
Bay County West Side Regional Sewage Disposal System	504,128	-	252,064	252,064	252,064
Williams-Monitor Bond	<u>150,000</u>	<u>-</u>	<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
	<u>1,259,128</u>	<u>-0-</u>	<u>347,064</u>	<u>912,064</u>	<u>347,064</u>
	<u>\$ 1,642,431</u>	<u>\$ 267,610</u>	<u>\$ 651,860</u>	<u>\$ 1,258,181</u>	<u>\$ 423,446</u>

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

The Township has entered into a contract with the Bay County Road Commission to provide for the maintenance and improvements to various roads in the Township. Amounts are due through December 2008.	\$ 45,589
\$500,000 Installment Purchase Agreement, due in annual installments of \$47,598, including interest, through April 1, 2015, payable annually, for underground waterline extension.	300,528
\$920,000 Bay County Water Supply System Bonds, Series 1978, dated May 1, 1978, due in annual installments ranging from \$35,000 to \$40,000 through May 1, 2017, with interest at 5.0 percent, payable semi-annually.	395,000
\$305,000 1980 Bay County Water Supply System Revenue Bonds dated January 1, 1982, due in annual installments ranging from \$10,000 to \$20,000 through January 1, 2020, with interest at 5.0 percent, payable semi-annually.	165,000
\$28,000,000 Bay County West Side Regional Sewage Disposal System Bonds (Township share \$4,411,120), dated November 1, 1978, Township share due in an annual installment of \$252,064 on May 1, 2008, with interest at 5.50 percent, payable semi-annually.	252,064
\$650,000 Limited Tax General Obligation Bay County Water Supply System Bonds, Series 1990, dated May 1, 1990, due in annual installments of \$50,000 on May 1, 2009, with interest of 7.30 percent, payable semi-annually.	<u>100,000</u>
	<u>\$ 1,258,181</u>

The annual requirements to pay the debt principal and interest outstanding for the bonds, contracts, and installment purchase agreements are as follows:

Year Ending December 31,	Road Commission Contract		Installment Purchase Agreement		Water and Sewer Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 45,589	\$ -	\$ 30,793	\$ 16,805	\$ 347,064	\$ 39,532
2009	-	-	32,556	15,042	100,000	26,575
2010	-	-	34,371	13,227	50,000	22,250
2011	-	-	36,288	11,310	50,000	19,750
2012	-	-	38,286	9,312	50,000	17,250
2012-2016	-	-	128,234	14,560	270,000	44,500
2017-2021	-	-	-	-	45,000	2,750
	<u>\$ 45,589</u>	<u>\$ -0-</u>	<u>\$ 300,528</u>	<u>\$ 80,256</u>	<u>\$ 912,064</u>	<u>\$ 174,607</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: RETIREMENT PLAN

The Township has a single employer defined contribution pension plan administered by John Hancock, covering substantially all full and part-time employees except volunteer firemen and seasonal employees. The Township contributes 100% of the premiums for each participant at a rate of 15% of gross wages. Total payroll for the year ending December 31, 2007, was approximately \$312,781. The Township's policy is to fund pension costs on an annual basis. Employer contributions for the year were approximately \$45,634. Benefits attributable to employer contributions are 100% vested. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants.

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE H: ECONOMIC DEPENDENCY

Approximately 33% of the property tax revenue is generated by property taxes levied on a single organization, Dow Corning. Any reductions in this revenue could have a significant impact on the Williams Charter Township's operations.

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the required supplementary information, the Township's budgeted expenditures in the General Fund and Major Special Revenue Fund have been shown at the functional classification level. The Township's budgeted expenditures for the nonmajor Special Revenue Fund are not required to be reported in the financial statements. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2007 the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public Works			
Department of Public Works	\$ 274,300	\$ 349,875	\$ 75,575
Other			
Retirement	48,000	48,652	652

The variance noted in the public works function was caused by an audit adjustment after the end of the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current property taxes	\$ 775,000	\$ 775,000	\$ 785,395	\$ 10,395
Administration charges	80,900	80,900	82,539	1,639
Penalties and interest	1,000	1,000	132	(868)
Total taxes	856,900	856,900	868,066	11,166
Licenses and permits				
Building and zoning permits	77,000	77,000	48,330	(28,670)
Charter cable fees	30,000	30,000	37,415	7,415
State liquor inspection	800	800	937	137
Fire pit permits	100	100	140	40
Right of way fees	8,000	8,000	8,680	680
Total licenses and permits	115,900	115,900	95,502	(20,398)
Intergovernmental				
State shared revenue	310,000	310,000	310,325	325
Charges for services				
Planning commission	3,000	3,000	2,125	(875)
Mobile home fees	1,000	1,000	1,012	12
Fire department custodial fees	1,500	1,500	975	(525)
Passport fees	3,000	3,000	9,060	6,060
Land division fee	500	500	800	300
Grave opening and lot sales	4,500	4,500	3,751	(749)
Bulk water sales	1,500	1,500	1,920	420
Other	150	150	125	(25)
Total charges for services	15,150	15,150	19,768	4,618
Interest and rents				
Interest	30,000	30,000	63,806	33,806
Rental fees	7,800	7,800	7,350	(450)
Total interest and rents	37,800	37,800	71,156	33,356

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Other				
Reimbursements	\$ 4,500	\$ 4,500	\$ 4,244	\$ (256)
Subdivision retention	3,500	3,500	3,534	34
Donations	-	-	3,890	3,890
Street lighting assessments	10,600	10,600	10,657	57
Total other	18,600	18,600	22,325	3,725
TOTAL REVENUES	1,354,350	1,354,350	1,387,142	32,792
EXPENDITURES				
General government				
Township board	78,200	78,200	69,540	8,660
Supervisor	40,600	40,600	39,959	641
Clerk	59,600	59,600	57,164	2,436
Elections	4,000	4,000	2,868	1,132
Assessor	50,700	52,700	48,050	4,650
Treasurer	61,400	61,400	59,521	1,879
Board of Review	1,400	1,400	1,181	219
Cemetery	9,350	9,350	6,311	3,039
Building and grounds	3,000	3,000	2,896	104
Financial and tax administration	10,900	10,900	10,900	-0-
Total general government	319,150	321,150	298,390	22,760
Public safety				
Police department	175,000	180,000	176,536	3,464
Fire department	147,600	147,600	145,805	1,795
Inspection department	94,450	94,450	76,685	17,765
Total public safety	417,050	422,050	399,026	23,024
Public works				
Department of public works	297,300	274,300	349,875	(75,575)
Community and economic development				
Building and zoning	7,450	7,450	3,345	4,105
Planning department	42,300	42,300	25,667	16,633
Other	3,500	3,500	2,500	1,000
Total community and economic development	53,250	53,250	31,512	21,738
Recreation and cultural				
Parks and recreation	34,600	34,600	33,054	1,546

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2007.

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Other				
Insurance and bonds	\$ 40,000	\$ 40,000	\$ 34,539	\$ 5,461
Risk management	1,500	1,500	927	573
FICA expense	30,000	30,000	23,927	6,073
Dental insurance	8,500	8,500	7,096	1,404
Medical insurance	55,000	55,000	53,297	1,703
Retirement	48,000	48,000	48,652	(652)
Total other	183,000	183,000	168,438	14,562
Debt service	260,000	276,000	274,901	1,099
Capital outlay	105,000	105,000	21,486	83,514
TOTAL EXPENDITURES	1,669,350	1,669,350	1,576,682	92,668
EXCESS OF REVENUES (UNDER) EXPENDITURES	(315,000)	(315,000)	(189,540)	125,460
OTHER FINANCING SOURCES (USES)				
Installment agreement	-	-	267,610	(267,610)
Transfers out	(185,000)	(185,000)	(185,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(185,000)	(185,000)	82,610	(267,610)
NET CHANGE IN FUND BALANCE	(500,000)	(500,000)	(106,930)	(142,150)
Fund balance, beginning of year	689,059	689,059	689,059	-0-
Fund balance, end of year	\$ 189,059	\$ 189,059	\$ 582,129	\$ (142,150)

Williams Charter Township

Garbage Collection Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 217,600	\$ 217,600	\$ 217,977	\$ 377
Interest and rents	2,000	2,000	5,636	3,636
Other	100	100	211	111
TOTAL REVENUES	219,700	219,700	223,824	4,124
EXPENDITURES				
Current				
Public works	264,700	264,700	219,040	45,660
NET CHANGE IN FUND BALANCE	(45,000)	(45,000)	4,784	49,784
Fund balance, beginning of year	34,560	34,560	34,560	-0-
Fund balance (deficit), end of year	<u>\$ (10,440)</u>	<u>\$ (10,440)</u>	<u>\$ 39,344</u>	<u>\$ 49,784</u>

OTHER SUPPLEMENTARY INFORMATION

Williams Charter Township

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended December 31, 2007

REVENUES

Licenses and permits	
Building and zoning permits	\$ 48,330

EXPENDITURES

Public safety	
Inspection department	76,685
Community and economic development	
Building and zoning	3,345
Planning department	<u>25,667</u>

Total construction code expenditures	<u>105,697</u>
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Excess of revenues (under) expenditures	<u>\$ (57,367)</u>
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Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS

Year Ended December 31, 2007

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Land						
Township hall land	1968	\$ 43,319		\$ -	-	\$ 43,319
Park land						
Land	1983	35,000		-	-	35,000
Additional purchases (Beane property 1988, 1989, 1990, & 1991)	Various	17,406		-	-	17,406
Additional purchase (Lauer property)	1986	12,596		-	-	12,596
Water tower land	2002	11,750		-	-	11,750
Total Land		120,071		-0-	-0-	120,071
Land Improvements						
Front parking lot	2002	30,960	15	2,064	12,384	18,576
Park - land improvements						
Fencing	1987	7,942	15	-	7,942	-0-
Park improvements	1987	110,366	15	-	110,366	-0-
Park improvements	1994	55,723	15	3,715	52,009	3,714
Park improvements	1988	13,655	15	-	13,655	-0-
Rear parking lot drainage improvement	4/15/2005	6,800	15	453	1,359	5,441
Total Land Improvements		225,446		6,232	197,715	27,731
Buildings						
Township hall	1968	202,768	40	5,069	197,698	5,070
DPW building	1990	63,862	40	1,597	27,143	36,719
Water tower	2002	230,112	40	5,753	34,517	195,595
Total Buildings		496,742		12,419	259,358	237,384

Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2007

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Building Improvements						
DPW addition	2001	\$ 26,227	15	\$ 1,748	\$ 12,238	\$ 13,989
Zoning office (construction and carpet costs)	2001	6,510	15	434	3,038	3,472
Sign	2001	6,290	15	419	2,934	3,356
Carpet	2002	5,667	15	378	2,267	3,400
Treasurer's office electrical	2002	11,000	15	733	4,399	6,601
Ceiling tile replacement	2002	6,000	15	400	2,400	3,600
Treasurer's office	11/1/2002	8,278	15	552	2,852	5,426
Cemetery improvements	Various	5,032	15	-	5,032	-0-
Window/door installation	6/29/2004	8,663	15	578	2,023	6,640
Rear parking lot drainage improvement / catch basin	6/27/2005	6,800	15	453	1,359	5,441
Eave troughs on Township hall and office	8/6/2006	4,600	40	115	173	4,427
Total Building Improvements		95,067		5,810	38,715	56,352
Furniture and Equipment						
DPW equipment						
Bandit model 150 chipper	6/9/1999	14,000	7	-	14,000	-0-
Kubota B2910 tractor w/ loader and backhoe	7/11/2000	23,000	7	1,642	23,000	-0-
Kubota F2100E-1 tractor w/ RC-72B front mount mower	9/12/1995	10,995	7	-	10,995	-0-
Kubota F2100E tractor w/ RC72-F20 front mount mower	9/8/1993	9,300	7	-	9,300	-0-
1995 GMC Topkick w/ 14' flatbed and hoist	4/1/2001	16,000	7	2,286	15,429	571
Hydralift trailer with brake	6/27/1905	4,165	7	595	1,785	2,380
2006 Ford F250 4X4 w/ bed liner, nerf bars & cab protector	11/1/2005	23,398	5	4,680	11,700	11,698
2005 John Deere GX255 tractor and mowing deck	5/11/2006	4,878	12	407	610	4,268
		105,736		9,610	86,819	18,917

Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2007

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Furniture and Equipment - continued						
General government furniture and equipment						
Zoning office	2001	\$ 6,650	7	\$ 950	\$ 6,650	\$ -0-
Sharp model AR-350N copier/scanner/fax/network printer	4/1/2003	10,314	7	1,473	6,998	3,316
Treasurer's office	2002	9,984	7	1,426	8,557	1,427
Board room	2002	4,800	7	686	4,116	684
Supervisor's office	2003	5,600	7	800	4,000	1,600
Clerk's office	2003	8,027	7	1,147	5,734	2,293
Ballot marking equipment	6/21/2006	13,584	6	2,264	3,396	10,188
		58,959		8,746	39,451	19,508
Park equipment	1995	46,020	7	-	46,020	-0-
Total Furniture and Equipment		210,715		18,356	172,290	38,425
Infrastructure						
Waterline project - Townline Road from 8 Mile Road	1/26/2000	41,190	40	1,030	8,239	32,951
Waterline project - Garfield Road	6/21/2001	533,109	40	13,328	86,631	446,478
Sanitary Sewer - Flajole Road	9/10/2002	168,541	40	4,214	22,474	146,067
Waterline project - Nine Mile	10/25/2002	112,500	40	2,813	14,533	97,967
Waterline project - Garfield Road	3/15/2004	297,615	40	7,440	28,520	269,095
Waterline project - Hotchkiss Road and Salzburg Road	11/18/2005	112,882	40	2,822	7,055	105,827
Waterline project - Garfield Road	9/13/2006	127,257	40	3,181	4,772	122,485
Waterline project - Wheeler Road	9/27/2006	120,317	40	3,008	4,512	115,805
Waterline project - 8 Fire Hydrants	10/23/2006	25,200	40	630	945	24,255
Waterline project - Townline Road	12/8/2006	66,475	40	1,662	2,493	63,982
Total Infrastructure		1,605,086		40,128	180,174	1,424,912
TOTAL		\$ 2,753,127		\$ 82,945	\$ 848,252	\$ 1,904,875

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees
Williams Charter Township
Auburn, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of and for the year ended December 31, 2007, which with the financial statements of the business-type activities and proprietary major funds collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Williams Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Williams Charter Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Statement on Auditing Standards No. 112 titled "*Communicating Internal Control Related Matters Identified in an Audit*", requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. We are communicating these circumstances as required by professional standards; however, we do not see a need for any changes in the situation at this time.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of accounts receivable, and deferred revenue were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

BUDGETS

As noted in the financial statements, some of the activities and funds of the Township exceeded the amounts appropriated. The variances noted were in the General Fund. The variance noted in the Public Works functions was caused by an audit adjustment after the end of the fiscal year.

It was also noted that the Township budgeted for a deficit in the Garbage Fund. This was caused by the Township budgeting for a beginning fund balance of \$45,000, when after previous audit adjustments, their beginning fund balance was actually \$34,560.

BUDGETS - CONTINUED

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management and Members of the Board of Trustees of Williams Charter Township, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 16, 2008